

REUSE ANALYSIS

SUMMARY REPORT FOR THE

DISPOSITION AND DEVELOPMENT/AFFORDABLE HOUSING
AGREEMENT

BY AND BETWEEN

THE LOMA LINDA REDEVELOPMENT AGENCY, AGENCY,

AND

10777 POPLAR ST.
a California Limited Partnership
(DEVELOPER)

MARCH 2006

REUSE ANALYSIS
SUMMARY REPORT

DISPOSITION AND DEVELOPMENT/AFFORDABLE HOUSING AGREEMENT
BY AND BETWEEN

**THE LOMA LINDA REDEVELOPMENT AGENCY, AGENCY,
AND
10777 POPLAR ST., a California Limited Partnership**

INTRODUCTION

The Loma Linda Redevelopment Agency (hereinafter the "Agency") has proposed to enter into a Disposition And Development/Affordable Housing Agreement (hereinafter the "Agreement") with 10777 Poplar St., a California limited partnership, (hereinafter the "Developer").

The purpose of the Agreement is to effectuate the Agency's Redevelopment Plan (the "Plan") pursuant to which the Agency seeks to eliminate blight and to provide affordable housing within the City of Loma Linda (the "City"). In accordance with the Plan and the terms of the Agreement, Developer desires to lease and develop that certain real property located on Poplar Street within the City Loma Linda, California and identified in Attachment 1 of the Agreement (hereinafter the "Site") and the Agency desires to lease the Site to Developer under the terms of the Plan and the Agreement.

California Community Redevelopment Law requires a Report be prepared to provide information about the provisions of this Agreement and to outline the reasons the Agency is proposing this Agreement resulting in the lease and development of the Site.

This analysis that describes and specifies all of the following:

- (i) The cost of the agreement to the Agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreements.
- (ii) The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan.
- (iii) The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the Agency shall provide as part of the summary an explanation of the reasons for the difference.
- (iv) An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

It is the intent of this Report to meet all of these requirements and provide the necessary information and data.

This Report is organized into the following sections:

- Salient Points of the Proposed Agreement
- Cost of the Agreement to the Agency
- Estimated Value of the Interest to be Conveyed
- Comparison of Purchase Price to the Fair Re-Use Value
- How The Agreement Contributes to the Elimination of Blight
- Facts Supporting Section 33433 Determinations

SALIENT POINTS OF THE PROPOSED AGREEMENT

Description of the Property

The property to be conveyed by the Agency to the Developers is located in 10800 block of Poplar Street in the City of Loma Linda, California. It is more specifically defined in Attachment 1 of the Agreement. As of the date of execution of the Agreement, the Site is owned by the Loma Linda Redevelopment Agency.

The site is approximately 1.82 acres (79,280 sq ft) and is a portion of a larger site, totaling approximately 8.42 acres. The development of the remainder of this site will be developed under a separate agreement.

The Agency purchased the twenty-seven (27) separate parcels to assemble the total 8.42 acre site. Many of these parcels have been cleared and the tenants who had resided on them have been relocated in accordance with law. There are six units remaining on the 8.42 acre parcel, which will be demolished and cleared pursuant to the Agreement. The Agency will also relocate the remaining residents pursuant to the requirements of State Law and the Redevelopment Plan

Agency Responsibilities

1. The Agency shall lease the Site to the Developer at lease rate of \$1.00 per year for a period of sixty (60) years, after which the Site and all improvements on the Site will revert to the ownership of the Agency.
2. The Agency shall clear and/or demolish all existing structures on the Site in accordance with the Agreement.
3. The Agency shall relocate all remaining tenant in the Agency-owned housing units currently existing on the Site.

4. The Agency shall assist in financing the leasing of the Site by:
 - a. Providing a loan to the Developer in the estimated amount of \$3,563,364 to be used to reduce the cost of development to allow for the provision of forty-four (44) very low income rental units and to pay for city fees required for the apartment project on the Site.

Developers Responsibilities

1. The Developer shall lease the Site from the Agency for \$1.00 per year for a period of sixty (60) years, after which time the developer shall provide clear title to the Site and all improvements on the Site to the Agency.
2. The Developer shall enter into a loan with the Agency in the estimated amount of \$3,563,364 and use the funds to offset the development costs of forty-four (44) and to pay for city fees required for the very-low income apartment project on the Site and shall use the residual receipts from the operation of the apartments to repay this loan under the terms outlined in the Agreement.
3. The Developer shall obtain adequate financing, which may or may not include tax credit financing, other public financing and/or private funds to develop forty-four (44) apartments units for very-low income households, defined as earning 50% or less of the median income for San Bernardino County, as defined by the California department of Housing and Community Development.
4. The Developer shall operate and maintain, or cause to have operated and maintained, the apartments being developed on the Site in accordance with sound business practices and sound property maintenance practices for the entire period of the lease.

COST OF THE AGREEMENT TO THE AGENCY

The Agency assembled the total 8.42 acre Site through the purchase of individual parcels. The total cost for the purchase of the Site was \$2,454,000.

The Agency has also caused or will cause the removal and demolition of the improvements on the entire 8.42 acre site at a cost of \$156,736. In addition, during the time the Agency has owned the 8.42 acre Site, it has rehabilitated existing improvements on the Site at a cost of \$52,890. The Agency has or will relocate all tenants who had resided or currently reside on the total 8.42 acre site at an estimated cost of \$358,052.

Over the course of the Agency's ownership of the total 8.42 acre site, the Agency has received rental income of \$236,675.

The Site which is the subject of the Agreement and which will be developed with the very-low income apartments represents 22% of the total 8.42 acre site. Thus, the net cost to the Agency for acquisition (\$539,880), and the Site's pro-rata portion (22%) of relocation and clearance of the Site (\$103,495) is \$643,375.

The Agency is also providing a loan in the estimated amount of \$3,563,364 to be to offset the development of the site and to pay for city fees required for development of the Site.

Thus, the total cost to the Agency is estimated at \$4,206,739.

In return for this investment, the Agency eliminates and redevelops a severely blighted Site. In addition, the Agency receives long-term affordability covenants for forty-four (44) very-low income rental apartment units for sixty (60) years. Thus, the annual cost to the Agency for each covenant is \$1,593.46.

This compares favorably to the average estimated cost to the Agency if the Agency were required to subsidize housing payments to a very-low income level -- reducing an area average rent for a one bedroom unit from approximately \$950 per month to \$556.25 per month, reducing an approximate average \$1,050 per month for a two bedroom unit to \$626.25, reducing an approximate average \$1,200 per month to \$695.63 or reducing an approximate average \$1,450 per month for a four bedroom unit to \$751.25. The annual cost to the Agency to subsidize a one bedroom unit would be \$4,725, to subsidize a two bedroom unit would be \$5,097, the annual cost to subsidize a three bedroom unit would be \$6,052 and the annual cost to subsidize a four bedroom unit would be \$8,385.

ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED

Based upon available multi-family property in the area, the value of the apartment site is estimated at \$15.00 per square foot or \$1,189,200 for the 1.82 acre Site.

COMPARISON OF LEASE PRICE TO THE FAIR RE-USE LEASE VALUE

The standard ground lease is 10% of the value of the land per year. This would provide an annual lease payment of \$118,920. The Agency is leasing the Site at a fair reuse value of \$1.00 per year. The Agency believes that the requirement that all forty-four (44) units be made available at a rent affordable to very-low income households and is requiring covenants and conditions be recorded against the property and required development costs to ensure this very-low income affordability for sixty (60) years supports the lease at not less than the fair re-use value.

HOW THE AGREEMENT CONTRIBUTES TO THE ELIMINATION OF BLIGHT

The Agency has purchased the Site from numerous owners. The condition of the purchased properties was generally blighted. The Agreement will eliminate these blighted property can cause a new affordable forty-four (44) unit apartment project meeting current zoning and building codes to be developed and maintained for at least a period of sixty (60) years.

The proposed Agreement also implements the Agency's very-low income affordable housing requirements.

FACTS SUPPORTING SECTION 33433 DETERMINATIONS

California State Redevelopment Law requires that the City Council make several findings before authorizing the Redevelopment Agency to enter into this Agreement. These findings include:

1. The sale of the Site will assist in the elimination of blight.

Statement of Support

The Agreement provides for the demolition of blighted properties and returns them to their full investment potential with a new development. The Agreement also provides the Agency with long-term covenants for forty-four (44) very-low income rental units.

2. The lease of the Site will provide housing for a low- income household.

Statement of Support

The Agreement establishes covenants on the property requiring the forty-four (44) units being developed on the Site to remain to affordable to very-low income households for sixty (60) years, five (5) years longer than required by California Redevelopment Law.

3. The sale or lease of the Site is consistent with the Agency's Implementation Plan adopted pursuant to California Health and Safety Code Section 33490.

Statement of Support:

The Implementation Plan adopted by the Agency calls for projects to eliminate blight, to cooperate with the private sector to redevelop property within the Project Area and to provide housing for low-to-moderate income households. This Agreement accomplishes all three of these objectives.

4. The consideration to be paid for the Site is not less than the fair reuse value in accordance with the Plan.

Statement of Support:

The Agreement establishes the lease price at \$1.00 per year, which is deemed to be not less than the fair use value of the Site based on the very-low income covenants and conditions, including development requirements, that will be provided and the fact the property and its improvements will revert to Agency ownership at the end of the lease term. This was done to fulfill the Agency's obligations to provide low-to-moderate income

housing as required by the State Community Redevelopment Law and the Agency's Redevelopment Plan for the Merged Project Area, as well as the economical development of the Site.

5. The consideration to be paid for the Site is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the Agreement.

Statement of Support:

The Agency has reduced the lease price of the Site to \$1.00 per year. This reduction is based on the very-low income conditions and covenants that will be placed on the Site pursuant to the Agreement and lease to ensure the continued use of the Site for low-income households.

6. The lease of the Site and the improvements to be privately financed are a benefit to the Project Area.

Statement of Support

The elimination of severe blight and the on-going provision of low-to-moderate income housing is an integral part of the Redevelopment Plan for the Merged Project Area. The lease of the site pursuant to the Agreement furthers the implementation of the Redevelopment Plan.

7. There is no other reasonable means of fully financing the sale of the Site.

Statement of Support

There are no reasonable additional outside funding sources, public or private, which can provide the Site at a cost which maintains the very-low income requirements for the Site or which will ensure the recording of covenants against the Site as required by State Law and the Redevelopment Plan.